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ALEC to States: Repeal Renewable Energy Mandates ('Electricity Freedom Act' model bill adopted)

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"Households in 29 states are and will continue to see higher electricity rates, lower economic growth and, subsequently, lower standard of livings without outright repeal of these crony capitalist policies."

The [American Legislative Exchange Council](#) (ALEC), the nation's largest non-partisan association of state legislators boasting more than 2,000 members from all 50 states, recently adopted a firm stance opposing misguided government intervention into the electricity market which works against affordable, reliable electricity.

ALEC's model bill for state legislators, entitled the *Electricity Freedom Act*, repeals a state's renewable energy mandate stating:

"...a renewable energy mandate is essentially a tax on consumers of electricity that forces the use of renewable energy sources beyond what would be called for by real market forces and under conditions of real competition in generation resources..."

Due in part to pressure from environmental groups and the renewable energy industry lobby, a movement began in the late 1990s and continued through the mid-2000s to enact state-based renewable energy mandates. These mandates have been called Renewable Portfolio Standards, Renewable Energy Standards or, more innocuously, Alternative Energy Standards.

No matter how described, these policies force electric utilities to provide a percentage or quota of renewable energy as part of the electricity generation mix by a certain target year. Simply put, *these policies force citizens, businesses, and industry within a state to purchase renewable energy whether or not they value or can afford it.*

29 States: 29 Opportunities

Twenty-nine states across the country have passed a renewable energy mandate in some form. In the beginning, many of these legislative efforts were supported by bipartisan majorities in state legislatures as a mandate's full impact would not be felt for many years (typically beyond election cycles).

The strongest mandate belongs to Texas, which an electric restructuring bill [authored by Enron](#) included a provision to help struggling subsidiary Enron Wind Corp. Enron had bought troubled Zond in 1997; the mandate was enacted two years later.

But as the electric utilities are now approaching compliance deadlines, state citizens and businesses are beginning to see the economic impacts of these policies.

Negative Impact Studies

A handful of economic impact studies have been published that expose the significant costs and burdens these mandates place on households, businesses, and the overall state economy.

These studies have assessed the impact of renewable energy mandates on the economies of [Colorado](#), [Delaware](#), [Kansas](#), [Maine](#), [Michigan](#) (plus Michigan's proposal to increase their mandate), [Minnesota](#), Missouri, [Montana](#), [New Jersey](#), [New Mexico](#), [North](#)

[Carolina](#), [Ohio](#) and [Oregon](#). All have found that electricity rates and unemployment will increase, economic output and investment will decrease, and families will have a harder time making ends meet.

Regressive Taxation

These mandates are all *regressive*. When the cost of electricity rises, low income households shoulder a greater burden than higher income households as the energy costs make up a larger portion of their budget. This is especially true for low income households that are on fixed income such as social security or retirement since their income most likely does not keep pace with higher costs of living.

To put this plight in some perspective, the U.S. Bureau of Labor Statistics found that a family with annual income of \$50,000 or less takes a significant hit when energy prices increase. Nearly 50 percent of U.S. households earn less than \$50,000 per year, and these households spend more on energy than on food, spend twice as much on energy than on health care, and spend more on energy than on anything else except for housing.

Due to these concerns, state legislators and governors alike have begun reassessing such mandates and have even introduced bills to make the mandates more flexible and less costly. Also, outright repeal of these mandates have been introduced in [Ohio](#) and [Michigan](#) and discussions on freezing the mandates are brewing in [Wisconsin](#).

Maine: A Wake-Up Call

The Governor of Maine, Paul LePage, recently reacted to an economic analysis that found that by 2017 Maine's renewable energy mandate will increase energy prices by \$145 million for consumers, costing the state about 1,000 jobs and further damaging an already fragile economy.

The Governor [stated](#):

"This study shows that special interests are hurting Maine's economy and costing us jobs. We can no longer embrace the status quo... those with powerful political connections have forced higher cost renewables onto the backs of Maine ratepayers. Common sense dictates that cost must be a factor when evaluating all new energy sources...I encourage the people of Maine to tell their legislators that we need to lower the cost of energy."

Governor LePage described the problem appropriately. These mandates are not only economically disastrous, but are also great examples of crony capitalism. The mandated industries (mainly wind and solar energy) are using government to force citizens to purchase their product instead of providing a superior product to drive consumer demand.

Special-Interest Pushback

Not surprisingly, these special interests fight vehemently against any proposal to repeal mandates since they would have to compete with other traditional generation sources. They are also opposed to any efforts to include new electricity generation technologies as part of the mandate as it represents competition within a government mandated market.

And lastly, the special interests have and will use considerable amounts of resources to defeat any change from the status quo, citing all sorts of reasons why their product should be preferred (and effectively forced) upon others.

Those who oppose forcing citizens to purchase renewable energy, and those concerned with the economic impacts of these mandates, are attacked for being in the pockets of Big Oil or the coal industry. *This couldn't be further from the truth.* Opponents of renewable energy mandates would be similarly opposed to any mandate forcing the use of coal or natural gas. A neutral, let-the-market-decide policy is the fairest and easiest way to ensure that the best energies win.

For Freedom; Against Cronyism

ALEC's principled stance opposing energy mandates will undoubtedly draw fire from renewable energy companies and the usual ALEC opponents. But to be crystal clear, *ALEC is not against renewable energy in any form.*

ALEC has state legislative members that are very supportive of the renewable energy industry. In addition, ALEC has private-sector members that represent renewable energy technologies—and even more private sector members that work with and supply products and services to the renewable industry as whole.

ALEC fully supports voluntary efforts to expand and advance renewable energy as long as no technology or class of technologies is given an unfair competitive advantage. Free markets in energy produce more options, more energy, lower prices, and fewer economic disruptions.

As the debate over subsidies, handouts, and cronyism for renewable energy continues, so too will the debate surrounding state-based renewable energy mandates. Fundamentally, forcing state citizens to purchase a product they may not be able to afford nor value is not the proper role of government.


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Electricity Freedom Act

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Electricity Freedom Act

Summary: The Electricity Freedom Act repeals the State of {insert state}'s requirement that electric distribution utilities and electric services companies provide _____ percent of their electricity supplies from renewable energy sources by _____.

WHEREAS, forcing business, industry, and ratepayers to use renewable energy through a government mandate will increase the cost of doing business and push companies to do business with other states or nations, thereby decreasing American competitiveness,

WHEREAS, many renewable sources of power currently cost more than traditional electricity generation technologies, and are projected to do so for the foreseeable future,

WHEREAS, the costs of renewable energy will be borne by consumers regardless of income or circumstances,

WHEREAS, the costs of renewable energy that are not directly internalized are financed by taxpayers through numerous state and federal financial incentives,

WHEREAS, forcing renewable sources of power will impose the additional burden of integrating intermittent energy onto the electricity grid and threatening electricity reliability,

WHEREAS, the costs of such expensive transmission projects are also financed by ratepayers,

WHEREAS, no state or nation has enhanced economic opportunities for its citizens or increased Gross Domestic Product through renewable energy mandates,

WHEREAS, due to the renewable energy mandate a tremendous amount of economic growth is sacrificed for a reduction in greenhouse gas emissions that would have no appreciable impact on global concentrations of greenhouse gases,

WHEREAS, government mandates to produce renewable energy necessarily involve increasing costs for ratepayers while benefiting politically favored industries,

WHEREAS, primary emissions standards that leave to the marketplace the choice of compliance technologies can address air quality standards more efficiently than "technology forcing" mandates,

WHEREAS, technological advances continue to reduce the rate of air emissions from all fossil fuel sources where vibrant market economies are allowed to exist; and

WHEREAS, electric utilities may have invested in long-term renewable energy assets and/or purchase power agreements, as well as other infrastructure necessary to comply with current and future levels of renewable energy mandates,

THEREFORE LET IT BE RESOLVED, that the legislature of the State of _____ understands that a renewable energy mandate is essentially a tax on consumers of electricity that forces the use of renewable energy sources beyond what would be called for by real market forces and under conditions of real competition in generation resources, and

BE IT FURTHER RESOLVED, that the State of {insert state} does not wish to discourage the marketing of "green" power and "green" pricing such that willing buyers and sellers of renewable energy sources are free to negotiate the terms and conditions of such sales, and no technology or class of technologies is given an unfair competitive advantage, and

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BE IT FURTHER RESOLVED, that this Act also recognizes the prudence and reasonableness of many of the renewable contracts and investments and allows for recovery of costs where appropriate, and

BE IT THEREFORE ENACTED, that the State of {insert state} repeals the renewable energy mandate and as such, no electric distribution utilities and electric services companies will be forced to procure renewable energy resources as defined by the State of {insert state}'s renewable energy mandate

Adopted by the Energy, Environment and Agriculture Task Force at the 2012 Annual Meeting on July 26, 2012. Approved by ALEC Board of State Legislators on October 18, 2012.

Keyword Tags: [Alternative Energy Standard](#), [Clean Energy Standard](#), [Electric Utilities](#), [Electricity](#), [Environment](#), [Renewable energy](#), [Renewable Energy Mandate](#), [Renewable Portfolio Standards](#)

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